



Office of Health Plan Administration  
P.O. Box 720724  
Sacramento, CA 94229-0724  
(916) 795-2515; FAX (916) 795-4105

June 20, 2006

## **AGENDA ITEM 11 (REVISED)**

### **TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE**

- I. SUBJECT:** Approval of 2007 Association Plan Benefits and Rates
- II. PROGRAM:** Health Benefits
- III. RECOMMENDATION:** Staff recommends the Board approve the proposed 2007 rates and benefit modifications for the California Association of Highway Patrolmen Health Benefits Trust; the California Correctional Peace Officers' Association Benefit Trust; and the Peace Officers' Research Association of California Insurance and Benefit Trust.

### **IV. ANALYSIS:**

The CalPERS Health Benefits Committee annually reviews and approves the rate and benefit proposals for the three association plans which are offered to certain CalPERS members in addition to CalPERS-contracted Health Maintenance Organizations (HMOs) and self-funded plans. These association plans are offered by the California Association of Highway Patrolmen (CAHP), the California Correctional Peace Officers' Association (CCPOA), and the Peace Officers' Research Association of California (PORAC), and are available exclusively to the members of these associations.

The association plans are approved under Government Code section 22850, subdivision (2g) which states:

The board shall approve any employee association health benefits plan which was approved by the board in the 1987-88 contract year or any year prior to that date, provided the plan continues to meet the minimum standards prescribed by the board.

As of May 1, 2006, the three association plans have a combined enrollment of 70,256 total covered lives, representing approximately 5.8 percent of the CalPERS total enrollment (as compared to 5.3 percent in May 2005). The total covered lives for each plan are:

- CAHP 26,814
- CCPOA 28,517
- PORAC 14,925

The associations are responsible for ensuring that the proposed 2007 rate and benefit changes are appropriate and that their reserve funds are adequate for the continued operation of these health plans.

California Association of Highway Patrolmen (CAHP) Health Benefits Trust

The CAHP health plan is a self-insured Preferred Provider Organization (PPO) plan, administered by Blue Cross of California.

The CAHP Health Benefits Trust Board of Trustees has approved a 20.45 percent rate increase in the Basic plan and a zero percent increase in the Supplement to Medicare plan (see Attachment 1). CAHP's 2007 benefit changes are shown in Attachment 2.

The Trust will continue to subsidize members' monthly out-of-pocket costs for 2007. The Board of Trustees will determine the amount of the subsidy at a later date.

California Correctional Peace Officers' Association (CCPOA) Benefit Trust Fund

The CCPOA health plan is a fully-insured HMO plan with Blue Shield of California as the carrier, effective January 1, 2006.

For the northern region, CCPOA's Board of Trustees has approved a 5.87 percent increase for the Basic plan and a 5.85 percent increase for the Medicare plan (see Attachment 1).

For the southern region, CCPOA's Board of Trustees has approved a 5.87 percent increase for the Basic plan and a 5.85 percent increase for the Medicare plan (see Attachment 1).

If the CalPERS Board of Administration adopts the health plan based PDP approach, CCPOA's 2007 Medicare rates for both the northern and southern region will decrease by 12.77 percent from current 2006 rates (see Attachment 1).

CCPOA's 2007 benefit changes are shown in Attachment 2.

Peace Officers' Research Association of California (PORAC) Insurance and Benefits Trust

The PORAC health plan is a fully-insured PPO plan, provided by Blue Cross of California. The PORAC Insurance and Benefits Trust has approved a 9.95 percent increase in the Basic plan and a zero percent increase in the Medicare plan (see Attachment 1).

If the CalPERS Board of Administration adopts the health plan based PDP approach, the 2007 Medicare rate for PORAC will decrease by 18.68 percent from current 2006 rates (see Attachment 1).

There are no benefit changes proposed for PORAC for 2007.

**V. STRATEGIC PLAN:**

This item supports Goal III of the CalPERS Strategic Plan: "Develop, design and administer benefit programs and business processes that are innovative, effective, efficient, and valued by our members, employers and stakeholders."

**VI. RESULTS/COSTS:**

The CalPERS costs associated with this item are included in the annual budget of the Health Benefits Branch.

Staff is available to answer questions.

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Richard J. Krolak, Chief  
Office of Health Plan Administration

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Terri Westbrook  
Assistant Executive Officer  
Health Benefits Branch

Attachments (2)